



WHEN LESS IS MORE: THE EFFECT OF DEVOLUTION ON HR'S STRATEGIC ROLE AND CONSTRUED IMAGE

CAROL T. KULIK AND ELISSA L. PERRY

This research explores the possibility that devolving people-management activities to line managers might transform an HR unit and improve its reputation within its organization. We examined the effect of devolving people-management responsibilities to line managers on HR managers' construed image—their perceptions of the internal reputation of the HR unit. Results revealed that a devolution strategy had a positive effect on HR managers' perceptions of their unit's reputation among line managers and that this effect was partially mediated by changes in the HR function. Specifically, devolution increased HR's involvement in the operation of business units and in the organization's strategic planning. In turn, this change in HR's strategic role resulted in a more positive construed image for members of the HR unit. © 2008 Wiley Periodicals, Inc.

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HR units have long suffered from a negative reputation. Ten years ago, an article in *Fortune* magazine described the HR function as the “last bureaucracy” and recommended that the HR department be “blown up” (Stewart, 1996). These negative sentiments were recently echoed by a *Fast Company* author who stated outright, “I don’t like HR” (Hammonds, 2005). The criticisms of HR units in practitioner outlets lately have been accompanied by more thoughtful and reflective analyses in the academic literature (e.g., Kochan, 2004; Peterson, 2004; Rynes, 2004). Most notably, HR managers have

been accused of playing a complicit role in corporate excesses (e.g., extravagant executive compensation packages) and corporate ethics scandals (Kochan, 2004; Peterson, 2004). These criticisms have led to a further erosion of employee trust in their HR units and a diminished legitimacy for the HR function within organizations (Lansbury & Baird, 2004). As a result, there has been considerable interest in exploring avenues through which HR units can reinvent themselves and create new, more favorable identities within their organizations (Graham & Tarbell, 2006; Kochan, 2004; Lansbury & Baird, 2004; Ulrich, 1997). Most powerfully,

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DISCOVER SOMETHING GREAT

Schuler (1990) warned that HR must “transform or die.”

In this research, we explore one possible avenue for an HR unit’s transformation: the devolution of HR activities to line managers. Devolution transfers responsibilities from HR specialists working in, and identified with, a centralized HR unit to line managers in other units (Cunningham & Hyman, 1999; Currie & Procter, 2001; Larsen & Brewster, 2003; Renwick, 2003). Advocates of a devolution strategy suggest that it can save costs, speed decision making, and link HR activities with

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other aspects of day-to-day management (Larsen & Brewster, 2003; Renwick, 2003), benefiting the organization as a whole. But little empirical attention has been devoted to documenting the effects of adopting a devolution strategy on the HR unit itself.

We use stakeholder theory and the social identity literature to understand how devolution might create a positive image of the HR unit as reflected in HR managers’ perceptions of their unit’s reputation among key stakeholders (line managers). The reputation of an HR unit has important implications for the atti-

tudes and behavior of HR managers within the unit, HR effectiveness, and organizational performance. But reputations are malleable, and devolution may be a strategy for positively influencing an HR unit’s reputation. Specifically, devolution may change the nature of the work performed by an HR unit and, as a result, change the way the HR unit is perceived in the organization. Therefore, it is important that HR practitioners understand a devolution strategy’s potential for transforming their own HR units and improving the reputation of HR within their organizations.

Stakeholder Theory, Organizational Reputation, and Construed Image

Stakeholder theory recognizes that organizations have multiple constituents to whom

they are beholden or on whom they depend (Freeman, 1984; Harrison & Freeman, 1999). These constituents develop personal beliefs about what is distinctive about an organization (Dutton & Dukerich, 1991). When organizations effectively manage their stakeholders’ expectations, they enjoy more positive reputations and are perceived by the stakeholders as more effective performers (Tsui, 1984b, 1990). As a result, organizations invest considerable time and energy in trying to create positive reputations in the minds of their stakeholders (Elsbach & Sutton, 1992; Ferris et al., 1998; Ginzel, Kramer, & Sutton, 1993).

It is very difficult for organizational members to know their organization’s reputation and act upon it directly. Organizational members rarely have direct access to accurate reputational data from individual stakeholders (Fombrun, 1996). As a result, organizational members develop their own beliefs about how critical stakeholders view their organization (Dutton, Dukerich, & Harquail, 1994). Following a recent recommendation by Brown, Dacin, Pratt, and Whetten (2006), we use the term *construed image* to describe “what organizational members believe others think of the organization.” The construed image is developed through direct interactions with stakeholders or filtered through information given by third parties.

Construed image has a direct and immediate impact on organizational members’ attitudes and behavior (Bhattacharya, Rao, & Glynn, 1995; Brown et al., 2006; Hatch & Schultz, 2000). Members feel proud to belong to an organization that is viewed positively by important stakeholders (Dutton et al., 1994; Smidts, Pruyn, & van Riel, 2001), and a favorable construed image has been associated with organizational identification, job satisfaction, and intention to stay an organizational member (e.g., Lipponen, Kelkama, Olkkonen, & Juslin, 2005; Riordan, Gatewood, & Bill, 1997; Smidts et al., 2001; Wan-Huggins, Riordan, & Griffeth, 1998). But if members’ construed image is extremely unfavorable, they may experience negative personal outcomes such as depression and stress. In turn, these personal out-

comes could lead to undesirable organizational outcomes, such as decreased cooperation among members or reduced effort on long-term tasks. Over time, members may either psychologically disengage from their organizational roles or physically exit the organization (Dutton et al., 1994).

The academic literature usually emphasizes processes that operate at the organizational level to influence an organization's reputation and the construed image perceived by its members. However, these processes are equally likely to operate at the functional unit or department level (Tsui, 1990), and many of the challenges associated with developing a positive reputation are central to HR practitioners' professional identity. HR professionals must meet and balance the expectations of a wide variety of stakeholders, including employees and labor unions, line managers, middle managers, and top management, as well as external stakeholders such as HR professional societies (Graham & Tarbell, 2006; Tsui, 1990).

One of the most critical constituencies for the HR unit is the organization's line managers (Hermalny & Morley, 1995; Tsui, 1987; Ulrich & Brockbank, 2005). HR managers need to cultivate this stakeholder relationship in order to enhance the power and influence of the HR units in which they work (Galang & Ferris, 1997; Graham & Tarbell, 2006). The HR unit that has support from line managers will be more effective in implementing policies (Tsui, 1984b), while an HR unit with a poor reputation among line managers may experience considerable difficulty in delivering services, implementing programs, and gaining cross-functional support for its initiatives (Wright, McMahan, McCormick, & Sherman, 1998). As HR employees learn about their unit's poor reputation within the organization and incorporate the negative feedback into their construed image, HR employees may become demoralized and demotivated and the HR unit will have difficulty recruiting and hiring new staff—effects observed in other professions (e.g., nursing) that suffer from a negative reputation (Dworkin, 2002; Ledgister, 2003). In the long run, HR employees' unfavorable

construed image will impair the HR unit's effectiveness, and the unit's failure may have a negative impact on the organization's overall effectiveness (Baruch, 1997; Tsui, 1987), workforce commitment (Chang, 2005), and even its financial performance (Hannon & Milkovich, 1996).

Unfortunately, HR units face considerable barriers in developing a positive reputation among organizational line managers. Managers in other functional areas generally view HR as a low-status field that primarily serves a supportive function in the organization and that can be easily outsourced to save organizational costs (Caldwell, 2003; Mohrman & Lawler, 1999; Truss, Gratton, Hope-Hailey, Stiles, & Zaleska, 2002). As a result, organizational scholars have recommended that HR managers recognize the political dynamics and opportunities inherent in the HR function (e.g., Ferris, Galang, Thornton, & Wayne, 1995; Ferris & Judge, 1991; Galang & Ferris, 1997). In particular, Galang and Ferris (1997, p. 1407) recommend political actions designed to "create and maintain the perception that HRM is a critical and strategic concern of the organization" (Galang & Ferris, 1997, p. 1407).

Political actions might include finding new threats that the HR unit can control (Russ, Galang, & Ferris, 1998), publicizing positive information about the HR unit (Galang & Ferris, 1997), or co-opting stakeholders into HR decision making (Tsui, 1990). Political actions convey a favorable impression of the HR unit to stakeholders by symbolically communicating that HR is a critical concern of the organization (Galang & Ferris, 1997) and demonstrating the HR unit's interest in satisfying stakeholder expectations (Tsui, 1984a, 1987). Understanding how political actions create or change a unit's reputation among key constituencies is an important conceptual issue (Tsui, 1990), but there is little re-

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search identifying which strategies might be most effective in transforming the HR unit's reputation among different constituency groups (see Tsui, 1990, for an exception).

The Effect of Devolution on HR's Construed Image

Our purpose in this research was to explore whether HR managers working in "devolved" organizations would report more, or less, positive perceptions of their functional unit within the organization. Organizational scholars have made a case for both positions. An "optimistic" prediction is that devolution will *enhance* HR members' construed image. When line managers assume most of the routine activities associated with people management (e.g., training, recruitment and selection, performance appraisal), HR specialists are free to spend more time orchestrating large-scale organizational change efforts.

As the HR unit's reputation develops in the organization, more positive messages will be communicated to HR managers from the line managers they interact with, creating a more favorable construed image. For example, Gennard and Kelly (1997) studied senior HR executives in 28 organizations; 26 of these organizations had been placing greater responsibility for managing human resources with line managers over the last decade. Gennard and Kelly (1997) observed that line managers in devolved organizations became more de-

manding in seeking higher-value contributions from the HR unit. As a result, line managers in devolved organizations developed a greater appreciation of what HR could offer.

Alternatively, a "pessimistic" prediction is that devolution will *diminish* HR's construed image (Torrington & Hall, 1996). Extensive fragmentation and devolution of the HR function could drive a "deprofessionalization" and "status stripping" of the HR unit (Caldwell, 2003) as the expert knowledge associated with people management is diffused throughout the organization. It has always been difficult for HR units to quantify their contribution to their organizations. But a devolution strategy makes measurement even more difficult, because HR activities no longer are attributable to any particular individual or organizational unit (Cunningham & Hyman, 1999). Further, shifting people-management activities to managers with no formal HR education or credentials might only reinforce line managers' tendency to dismiss HR as "common sense" (Cunningham & Hyman, 1995; Renwick, 2003). Cunningham and Hyman (1999) collected employee and line-manager views on the HR function in four devolved organizations and found that in each organization, the HR unit bore the brunt of criticism from line managers about shortcomings they perceived in the direction of people management or in the provision of training support.

In the absence of hard evidence supporting these alternatives, we offer competing predictions about the effect of a devolution strategy on HR's construed image:

H1a: HR managers' construed image of the HR unit will be more favorable in organizations adopting a devolution strategy.

H1b: HR managers' construed image of the HR unit will be less favorable in organizations adopting a devolution strategy.

However, regardless of the *direct* (positive or negative) effects of a devolution strategy on HR managers' construed image of their unit, we expect these effects to be mediated by changes in the HR unit's strategic role. As described by the "optimistic" pre-

diction, devolution has a positive effect on an HR unit's construed image because members of the unit are able to replace routine people management with high-value strategic planning and integrative activities, creating a net gain to the HR unit's strategic role (Harris, Doughty, & Kirk, 2002). Devolution could create an opportunity for the HR unit "to orchestrate the vast changes in organizational structure and to catalyse the resources demanded to meet contemporary market conditions" (Cunningham & Hyman, 1999, pp. 11–12). When the operational work is devolved, "more strategic work, which is valued more highly, can be taken on" (Hall & Torrington, 1998, p. 48).

In contrast, a "pessimistic" prediction suggests that a devolution strategy does not deliver these opportunities to develop a more strategic role. Instead, devolution creates a diminished role for the unit in the organization, resulting in a net loss to the HR unit's strategic role. Following devolution, HR responsibilities belong to every manager and the strategic contribution of HR specialists is difficult to identify. Therefore, devolution has a negative effect on the HR unit's reputation in the organization (Hailey, Farn-dale, & Truss, 2005; Ulrich, 1997), and these effects will be reflected in members' construed image of their unit.

H2: The effect of a devolution strategy on HR reputation will be mediated by a change in the HR unit's strategic role in the organization.

Methods

Sample and Data Collection

Names and mailing addresses of 4,073 HR decision makers employed in organizations with 250 or more employees were obtained from Dun and Bradstreet, a provider of business information and mailing lists. Surveys were mailed in April 2005 and accompanied by a personalized cover letter indicating that the research was sponsored by the SHRM Foundation, an affiliate of the Society for Human Resource Management. The initial mailing was followed 2–3 weeks later by a re-

minder letter. All of the measures used in this research (including control variables) were measured in a survey included in the mailing. The survey included a primary section that asked about the respondent's organization, including questions about whether a devolution strategy was being practiced and questions about the HR unit. A final section collected respondent demographic data. Surveys were returned by 174 HR decision makers. Adjusting for undeliverable surveys, our response rate was 5%.

The majority of respondents reported that they were HR managers or directors (75%) with membership in SHRM (73%). Respondents were employed on average 7.24 (SD = 6.06) years in their current position and 8.92 (SD = 7.29) years in their organizations. Respondents' organizations were associated with all 20 industry sectors in the North American Industry Classification System (<http://www.census.gov/ipeds/www/naics.html>). The manufacturing sector was most highly represented (43.7%), followed by health care (10.9%); finance and insurance (5.7%); professional, scientific, and technical (4.6%); and transportation and warehousing (4.0%). Representation in each of the other sectors was less than 3%.

Measures

Outcome Variable: HR Construed Image

Researchers in the social identity literature measure construed image by asking respondents what other people think about their organization (e.g., "People in my community think highly of [school]," Mael & Ashforth, 1992; "Overall, the Alpha system is considered good by others," Dukerich, Golden, & Shortell, 2002). Based on these measures, we developed four items for this research. The items asked respondents how

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much they agreed or disagreed with a series of statements (1 = disagree strongly; 5 = agree strongly), and each statement focused specifically on line managers' perceptions of the HR unit: "In my organization, line managers..." (a) have a positive impression of the HR staff; (b) see HR staff as rigid and inflexible (reverse scored); (c) are reluctant to approach HR for help (reverse scored); and (d) view HR as a business partner. A factor analysis indicated that these items loaded onto a single factor with an eigenvalue greater than 1, accounting for 66.88% of the variance. Responses were averaged to form an *HR Construed Image* scale (coefficient alpha = .83).

Mediating Variable: HR Role Change

The absolute level of line-manager involvement may affect the level and quality of interaction between HR and the line, with implications for line-manager perceptions of the HR managers with whom they interact.

Three items asked respondents to report on the changes in the HR unit over the last five years (1 = decreased a great deal; 5 = increased a great deal). The items included: (a) in overall responsibility, (b) degree of integration with the operation of the organization's units, and (c) involvement in organizational strategic planning. These items were developed for this research. Items about scope of activities and involvement in strategic planning are frequently used to assess an HR unit's organizational influence (e.g., Galang & Ferris, 1997) and changes in the HR unit's responsibility, integration, and involvement in strategy planning regularly emerge as themes in qualitative research on the effects of devolution (e.g., Cunningham & Hyman, 1999; Hall & Torrington, 1998; Harris et al., 2002). A factor analysis indicated that these items loaded onto a single factor with an eigenvalue greater than 1, accounting for 75.14% of the variance. Responses were averaged to form an *HR Role Change* scale (coefficient alpha = .83).

Predictor Variable: Devolution Strategy

In order to focus respondents' attention on a common set of people-management activities, we first presented them with a list of 18 activities (e.g., pay and benefits, performance management, promotion decisions, termination decisions) and asked them to estimate the extent to which line managers in their organization were responsible for each one. The estimate was reported as a percentage (0–100%) of the total responsibility for each activity that was attributable to line managers. The presence of a devolution strategy was assessed by a single item asking respondents whether line-manager involvement in people-management activities in their organization had (a) increased ($n = 102$), (b) decreased ($n = 12$), or (c) stayed about the same ($n = 59$) over the last five years. For the main analyses, we created a dichotomous *Devolution Strategy* variable in which "increased" responses were coded as "1"; "decreased" and "stayed the same" responses were coded as "0."¹

Control Variables

The analyses controlled for several organizational variables that might impact the relationships studied here. We controlled for the organization's *Absolute Level of Devolution*. Organizations may experience different absolute levels of devolution independent of adopting (or not adopting) a devolution strategy. For example, two organizations may be engaged in devolving people-management activities to line managers. In one organization, line managers are already primarily responsible for many people-management activities; in the other, line managers are primarily responsible for only a few. The absolute level of line-manager involvement may affect the level and quality of interaction between HR and the line, with implications for line-manager perceptions of the HR managers with whom they interact. Our research focused on the impact of devolution as an HR strategy, so we needed to control for the absolute level of devolution currently experienced by line managers in the organi-

zation. We averaged our respondents' estimates of the extent to which line managers in their organizations were responsible for 18 people-management activities and used this average as a control for the organization's absolute level of devolution.

Organizational Performance might result in an organizational "halo" that affects perceptions of the HR unit. Therefore, we included an overall assessment of the organization's performance compared to "other organizations that do the same kind of work" (1 = much worse, 5 = much better). Kotey and Sheridan (2004) found that larger organizations tend to have more formal HRM practices—formal practices might affect the function of the HR unit. We used a measure of *Organizational Size* based on the number of employees working in the organization (1 = less than 100, 8 = more than 20,000). Wright et al. (1998) found that the relationship between HR's strategic involvement and HR effectiveness was influenced by the organization's strategy. This suggests that organizational strategy may influence HR's strategic role and, indirectly, its reputation. We used a measure developed by Schuler and Jackson (1987) to identify whether an organization was primarily pursuing a *Dynamic Growth*, an *Extract Profit*, or a *Turnaround* strategy and included a *Dynamic Growth* dummy variable (1 = Dynamic Growth; 0 = Extract Profit or Turnaround) in our regression analyses. Previous devolution research has suggested that the age of an organization, and its operation in the public sector, influence adoption of a devolution strategy (e.g., Andolšek & Štebe, 2005; Budhwar, 2000). *Organizational Age*, based on the number of years the organization has been in business (1 = 1 year or less, 7 = 21 years or more) and a dummy variable indicating that the organization operated in the *Public Sector* were included as control variables. Finally, organizations operating in the same industry tend to adopt similar human resource practices (Bennett, Ketchen, & Schultz, 1998) and so devolution might be a more prevalent or more successful strategy in some industries. *Manufacturing* was a dominant industry in our sample, with nearly 44% of our re-

spondents describing themselves as working there. Therefore, similar to Bennett et al. (1998), we included a dummy variable for industry (1 = Manufacturing; 0 = all other industries).

Results

Means, standard deviations, and correlations for all variables appear in Table I. The significant positive correlation between Devolution Strategy and HR Construed Image supports Hypothesis 1a. When their organizations engaged in a devolution strategy, HR managers perceived that the HR unit enjoyed a more positive reputation among line managers ($r = .22, p < .01$).

Confirmatory factor analyses using AMOS (Arbuckle, 1997) were conducted to ensure the discriminant validity of the HR Role Change and the HR Construed Image scales. We assessed whether a two-factor solution fit the data relatively better than a one-factor solution. The two-factor model showed a good degree of fit, $\chi^2 (13, N = 174) = 18.19, p = \text{n.s.}$ (comparative fit index [CFI] = .989; incremental fit index [IFI] = .989; root mean square error of approximation [RMSEA] = .048). CFI and IFI values that are closer to 1 reflect better-fitting models (Byrne, 2001) and values of .08 or less for RMSEA indicate good fit (Dilalla, 2000). An examination of the individual factor loadings revealed that all loadings were significant and exceeded the minimum recommended value of .40 (Holtman, Tidd, & Lee, 2002). The one-factor model showed significantly less good fit, $\chi^2 (14, N = 174) = 192.50, p < .01$ (CFI = .625; IFI = .636; RMSEA = .271). These results suggest that the HR Role Change and HR Construed Image measures are distinct constructs.

Mediated analysis results appear in Table II.² We followed Baron and Kenny's (1986) three-step procedure for assessing mediated effects. First, the predictor variable (Devolution Strategy) should be significantly related

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T A B L E I Means, Standard Deviations, and Correlations

Variable	M	SD	1	2	3	4	5	6	7	8	9	10	11
1. Absolute Devolution	44.13	14.29	-----										
2. Org Performance	4.05	.87	.02	-----									
3. Org Size	2.85	1.26	.17*	-.08	-----								
4. Dynamic Growth	.52	.50	.08	.36**	-.04	-----							
5. Extract Profit	.37	.48	-.02	-.12	.02	-.80**	-----						
6. Turnaround	.11	.31	-.11	-.40**	.04	-.36**	-.26**	-----					
7. Org Age	6.44	1.08	.05	.12	.09	-.07	.09	-.02	-----				
8. Public Sector	.34	.47	.09	-.09	.33**	-.05	-.03	.13	.02	-----			
9. Manufacturing	.43	.50	-.12	-.13	-.21*	-.03	.03	.01	.05	-.05	-----		
10. Devolution Strategy	.56	.50	-.16*	.10	-.01	.10	-.14*	.07	.07	.03	.04	-----	
11. HR Role Change	4.00	.82	-.17*	.27**	-.15*	.22**	-.10	-.20**	.01	.06	.00	.28**	-----
12. HR Construed Image	3.69	.83	-.03	.23**	-.13	.16*	-.09	-.12	-.06	-.04	.09	.22**	.39**

Note: N = 164–174, depending on missing data.

* $p < .05$, ** $p < .01$.

TABLE II Mediation Analyses

	Criterion 1 Predictor → Mediator	Criterion 2 Predictor → Outcome	Criterion 3 Predictor → Mediator → Outcome
Absolute Devolution	-.11	-.05	-.02
Org Performance	.16	.23**	.19*
Organization Size	-.13	-.11	-.08
Dynamic Growth	.17*	.02	-.02
Organization Age	.06	-.11	-.13
Public Sector	.16*	-.03	-.08
Manufacturing	-.09	.08	.10
Devolution Strategy	.24**	.24**	.17*
HR Role Change			.27**
Overall Model <i>F</i>	4.62**	3.13**	4.10**
<i>R</i> -Square	.20	.15	.20

Note. *N* = 154–156. Table entries are standardized regression coefficients.

* $p < .05$, ** $p < .01$.

to the mediator (HR Role Change). Second, the predictor variable (Devolution Strategy) should be significantly related to the outcome (HR Construed Image). And third, the mediating variable (HR Role Change) should be related to the outcome (HR Construed Image) with the predictor (Devolution Strategy) included in the equation. If these three conditions hold, at least partial mediation is present. If the predictor variable has a non-significant beta weight in the third step, complete mediation is present.

After including the control variables, we regressed the mediator (HR Role Change) on the predictor (Devolution Strategy). Satisfying the first criterion for mediation, Devolution Strategy had a significant effect on HR Role Change ($\beta = .24$, $p < .01$).

Next, we regressed HR Construed Image on Devolution Strategy. Satisfying the second criterion for mediation, and confirming the correlational results, Devolution Strategy had a significant, and positive, effect on HR Construed Image ($\beta = .24$, $p < .01$). To test the third criterion, we regressed HR Construed Image on HR Role Change, with Devolution Strategy

included in the equation. As shown in the final column of Table II, HR Role Change significantly predicted HR Construed Image ($\beta = .27$, $p < .01$) and Devolution Strategy maintained a significant effect ($\beta = .17$, $p < .05$).

The reduction in beta weight associated with Devolution Strategy (from $\beta = .24$ to $\beta = .17$) when HR Role Change is in the equation suggests a partial mediation effect for HR Role Change, supporting Hypothesis 2. Kenny (2006) recommends the Sobel (1982) test to determine whether the effect of a predictor on an outcome has been significantly reduced by the inclusion of a mediating variable. We conducted a Sobel test using Preacher and Leonardelli's (2006) interactive calculation tool. The Sobel test reflected a significant reduction in the effect of Devolution Strategy on HR Construed Image (Sobel = 2.24, $p < .05$), supporting a partially mediating role for HR Role Change.

Discussion

Stakeholder theory recognizes that organizational units have multiple constituents (Free-

man, 1984; Harrison & Freeman, 1999). Members invest considerable time and energy in “image-making” activities designed to boost their units’ reputation among their most critical constituents (Scott & Lane, 2000). In this research, we investigated whether HR managers would perceive their units as enjoying a more or less favorable reputation among line managers after adopting a devolution strategy. The HR literature has been divided on whether devolution will have positive or negative implications for HR units, with some authors suggesting that de-

Nearly 60% of the respondents in our survey reported that their organizations were engaged in a devolution strategy...

volution will benefit an HR unit and its HR specialists (e.g., Cunningham & Hyman, 1999; Lansbury & Baird, 2004) and others arguing that the value of an HR unit will be diminished by devolution (e.g., Caldwell, 2003; Torrington & Hall, 1996). Nearly 60% of the respondents in our survey reported that their organizations were engaged in a devolution strategy, where human resource activities were increasingly the responsibility of line managers. Overall, devolution had a *positive* effect; respondents work-

ing in devolved organizations reported that their units were more positively perceived by their line-manager constituencies than respondents working in nondevolved organizations. Devolution appears to be an effective transformation strategy that HR units can use to improve their image among line managers.

Further, the results suggest that the effect of devolution is partially mediated by changes in the HR unit’s organizational role. Historically, HR specialists spent much of their time on the administrative aspects associated with people management (Lawler & Mohrman, 2003). As the organizational reputation of HR units has declined, HR units have been encouraged to cast off the administrative role and reinvent themselves as strategic partners within their organizations (Kochan, 2004; Lansbury & Baird, 2004; Schuler, 1990; Ulrich, 1997). Our research suggests that devolution provides an oppor-

tunity for the HR unit to disengage from operational responsibilities and broaden HR’s role in the organization. Respondents working in organizations that had adopted a devolution strategy reported an increase in the HR unit’s overall responsibility, integration with the other organizational units, and involvement in strategic planning. This finding is consistent with arguments that organizations undertake devolution in order to free up HR managers to engage in more strategic activities (Cunningham & Hyman, 1999; Larsen & Brewster, 2003). These strategic activities have downstream positive effects for the HR unit, by positively influencing HR managers’ construed image.

Contributions to the Devolution Literature

Our results make two important contributions to the developing literature on the effects of devolution. Most importantly, while there has been a great deal of normative writing about the strategic role an HR unit *should* play, there has been little empirical investigation of whether HR units actually are playing a strategic role in their organizations or what the environmental factors are that facilitate a strategic role for HR units (Lawler & Mohrman, 2003). Our research tackled that issue directly, by demonstrating the relationship between a devolution strategy and the HR unit’s strategic role—and the consequences of that relationship for HR managers’ perceptions of their unit’s reputation among line managers. We demonstrated that a devolution strategy has positive effects for the HR unit. In contrast, the empirical research has thus far concentrated on the effects of devolution for line managers (Renwick, 2003; Whittaker & Marchington, 2003).

Second, our research methodology enabled us to make direct comparisons between organizations adopting a devolution strategy and organizations not adopting such a strategy. The devolution literature has tended to emphasize case-study methodology (e.g., Bond & Wise, 2003; Whittaker & Marchington, 2003), which provides limited

generalizability and does not permit a direct contrast of devolved and nondevolved organizations. In the HR literature, it is rare to find studies that compare functionally similar subunits across organizations adopting qualitatively different strategies (Galang & Ferris, 1997), and we were unable to identify any articles that explicitly contrasted the impact of adopting (versus not adopting) a devolution strategy on the HR unit. Our analysis relied on a broad sample of HR managers working in a variety of different industries across the United States, suggesting that our results are applicable to a range of organizational contexts.

Our results suggest support for the "optimistic" view on devolution, as we found positive effects of a devolution strategy on both HR's strategic role and construed image. However, an active debate has been raging in the literature, with some authors suggesting that a devolution strategy creates obstacles for an HR unit (Cunningham & Hyman, 1999), takes managers out of their comfort zone (Harris et al., 2002), and may ultimately diminish HR's reputation in the organization (Hailey et al., 2005). Not all organizational contexts are hospitable to change efforts that redesign work or redistribute responsibilities (Hackman & Oldham, 1980; Oldham & Kulik, 1983), and HR managers in some organizational settings might not experience positive outcomes from devolution.

For example, organizations with large, mechanistic structures tend to create simple, well-defined jobs (Oldham & Kulik, 1983), and line managers in these organizations may be reluctant to expand their job responsibilities to include HR decision making. Similarly, some organizational climates are characterized by cynicism about change efforts (Dean, Brandes, & Dharwadkar, 2000) and line managers in these organizations may be more resistant to a devolution strategy. In both situations, HR managers will find it difficult to devolve people-management responsibilities to the line and might be less successful in adopting a more strategic role. Future research should investigate organizational structure, organizational climate, and other contextual factors that

might moderate the effect of devolution on HR's strategic role and construed image.

Implications for Practice

HR units have been accused of being bureaucratic at best (Stewart, 1996) and, at worst, of being complicit in organizational mismanagement and wrongdoing (Kochan, 2004; Peterson, 2004). When members believe that their units are perceived negatively by critical stakeholders, HR units will have difficulty recruiting and hiring new staff (Dworkin, 2002; Ledgister, 2003)—leading to a general decline in the quality of the HR function and having a negative impact on the overall organization (Baruch, 1997; Chang, 2005; Hannon & Milkovich, 1996). When HR managers internalize this sense of inadequacy, they may become demoralized and demotivated and be unable to deliver services and programs effectively (Dutton et al., 1994; Wright et al., 1998). Study results suggest that devolution is one way to help HR units transform themselves to create a new, more favorable identity within their organizations.

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Formal reputational data usually reflect the "net" affective reactions of a broad range of stakeholder groups (Fombrun, 1996). Some stakeholder groups included in aggregated reputational data may not have any direct relationship with the HR unit or any direct consequence for it (Illia & Lurati, 2006). But line managers are one of the most important constituents for an HR unit (Hermal & Morley, 1995; Tsui, 1987; Ulrich & Brockbank, 2005). As a result, it is important for HR managers to reflect on the expectations line managers have about the HR unit and develop strategies for improving the HR unit's reputation among line managers.

HR practitioners hoping to improve their unit's internal reputation should consider devolution as a possible strategy. In our research, a devolution strategy had both a di-

rect effect and an indirect effect on construed image (HR manager perceptions of their unit's reputation among line managers). This finding is consistent with research on HR political actions, suggesting that political activity has symbolic consequences but can also effect real change in organizations (e.g., Galang & Ferris, 1997; Tsui, 1984a, 1987). The direct and indirect effects observed in our research may correspond to what some authors have called the "rhetoric" and "reality" of devolution (Cascon-Pereira, Valverde, & Ryan, 2006). A devolution strategy may impact an HR unit's reputation by creating substantive changes in what the HR unit does in the organization (devolution "reality"), but even in the absence of changes in the HR unit's role, a devolution strategy may benefit HR due to symbolism attached to the devolution "rhetoric."

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The indirect benefits we observed in relation to devolution may be achievable through other strategies that transform HR's role in the organization. For example, authors have suggested that the increased use of Web technology to deliver HR will leave HR specialists more time for strategic decision making (Lengnick-Hall & Moritz, 2003; Ruël, Bondarouk, & Looise, 2004) and that outsourcing of people-management activities will liberate HR specialists to perform more strategic activities (Cooke, Shen, & McBride, 2005). Optimistically, Ruël et al. (2004, pp. 377–378) suggest that out-

sourcing provides an opportunity for an HR unit "to get a clearer profile and a better image" in the organization. However, the *direct* effect of a devolution strategy on construed image may result from the symbolic benefit of directly involving line managers in the transformation—line managers pick up the people-management tasks released by

the HR unit. Previous research (Tsui, 1990) suggests that strategies for actively involving key stakeholders in HR problem solving and goal setting may be particularly effective in establishing a positive reputation of an HR unit among those stakeholders. Similarly, a devolution strategy actively involves line managers in HR management. It requires that the HR unit interact directly with the line managers it services, and so it may present the HR unit as "customer friendly" (Griffiths, 2006). In contrast, both outsourcing and Web-based HRM further distance HR units from line managers and, therefore, these strategies may be less effective in directly improving an HR unit's reputation among line managers.

A common concern expressed in the HR literature is that all of these transformation attempts (devolution, Web-based HRM, and HR outsourcing) may decrease the size or budget of the HR unit (Cooke et al., 2005; Cunningham & Hyman, 1999; Larsen & Brewster, 2003; Lengnick-Hall & Moritz, 2003). When the HR unit reduces the number of activities for which it is responsible, it opens itself to the risk of being downsized unless it can simultaneously demonstrate the need for additional resources devoted to the activities it maintains. However, recent research indicates that the size of HR units has been remarkably stable over the last 10 years, with no evidence of a reduction in the HR function despite trends toward HR devolution, HR automation, and HR outsourcing (Larsen & Brewster, 2003; Lawler & Mohrman, 2003). The fears of many HR specialists that devolution will make the HR unit obsolete (Renwick, 2003) may be unfounded.

Research Limitations

The survey methodology we adopted permitted a direct test of our predicted mediated relationships. However, the research also has several limitations that should be noted.

First, our study used a correlational design. Correlational designs are extensively used in organizational research (Scandura & Williams, 2000). Unfortunately, statistical

analysis cannot unequivocally differentiate one causal sequence from another in a correlational research design (Mathieu & Taylor, 2006). An alternative sequence might be inferred from our empirical findings; a positive construed image may encourage an HR unit to adopt a devolution strategy. This concern is mitigated to some degree by the literature's convergence on the theoretical sequence we tested (Cunningham & Hyman, 1999; Hall & Torrington, 1998; Harris et al., 2002) and the temporal focus created by the wording of our survey questions (we asked HR managers to reflect on strategy and changes over the last five years, but to report on line managers' current perceptions of the HR unit). Nonetheless, future research on the consequences of a devolution strategy, and other strategies for transforming an HR unit, would benefit from longitudinal designs (Connor-Smith & Compas, 2002).

Second, our research relied on HR managers' self-reports of all the variables in our analyses. Self-report data may artificially inflate the size of relevant relationships due to common method bias (Crampton & Wagner, 1994), especially when data are gathered from a single respondent using a single data-collection format (Podsakoff & Organ, 1986). HR managers are ideally positioned to act as organizational informants (Miller, Cardinal, & Glick, 1997) about strategies pursued in the HR unit, and factual and verifiable questions about HR practices or organizational control variables are unlikely to be biased by respondent motivations for self-enhancement or internal consistency (Crampton & Wagner, 1994). Nonetheless, HR respondents may have been simply confirming the advocacy message presented by HR professional associations about the benefits of devolution for the HR unit, creating consistency between their endorsement of a devolution strategy and subsequent ratings of HR's strategic role and construed image. We encourage researchers to employ multiple respondents (HR managers and recipients of HR services) and multiple methods (self-report accompanied by archival evidence of devolution activity and HR's strategic role) in studies examining the reputational effects of

HR strategies (Graham & Tarbell, 2006; Podsakoff & Organ, 1986; Tsui, 1990).

Third, we used a single item to measure devolution strategy while controlling for the absolute level of devolution experienced by an organization. Both measures are important indicators of devolution activities. Organizations adopting a devolution strategy may experience different levels of devolution (different levels of line-manager involvement in people management) depending on the organization's history, people-management philosophy, line-manager skills, or other factors. Our results suggest that it is the adoption of a devolution strategy, and not the absolute level of devolution, that affects construed image. Single-item measures like our devolution strategy measure are appropriate when the construct of interest is (a) unidimensional, (b) clear to the respondents, and (c) sufficiently narrow (Sackett & Larson, 1990). But this measure does not allow us to determine which specific people-management activities were targeted in the devolution strategy, to articulate the devolution strategy's implementation process or sequence, or to identify to whom responsibility for these activities was given (e.g., department heads, local supervisors). Future research should include more complex multi-item measures of devolution to better capture the reputational effects of this HR strategy.

Finally, our sample size, while providing sufficient power for the analyses (Stevens, 1996), is small and reflects a 5% response rate. Concerns about the potential bias reflected in a low response rate are eased by the fact that construed image ratings in our sample spanned the entire scale from negative to positive. Measures of relationships are resistant to sample bias as long as the sample is di-

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devolution strategy
may experience
different levels of
devolution (different
levels of line-
manager
involvement in
people
management)
depending on the
organization's
history, people-
management
philosophy, line-
manager skills, or
other factors.*

verse (Blair & Zinkhan, 2006). The low response rate is particularly disappointing because the research incorporated several strategies (personalization, affiliation with a professional organization, topical salience, a thank you/reminder mailing) associated with good survey design (Dillman, 2000). However, Cychota and Harrison (2002) empirically demonstrated that many survey design "good practices" are less effective with samples of highly placed organizational decision makers, and response rates are declining in management research (Baruch, 1999; Cychota & Harrison, 2006). HR managers, in particular, may be becoming an over-surveyed population as strategic HRM becomes an increasingly popular research topic. Recent publications focusing on HR managers regularly report response rates in the teens

(e.g., Lawler & Mohrman, 2003; Richard & Johnson, 2001; Rynes, Colbert, & Brown, 2002) and single digits (e.g., Koch & McGrath, 1996; Ordiz-Fuertes & Fernandez-Sanchez, 2003). Future research should investigate the kinds of incentives that might be able to attract large and diverse samples of HR managers to participate in HR research.

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NOTES

1. We repeated the regression analyses reported in Table II using an alternative coding scheme for devolution in which both "increased" and "stayed about the same" responses were coded as "1," with only "decreased" responses coded as "0." In these analyses, devolution did not significantly predict either HR Role Change or HR Construed Image. We also repeated the analyses using a coding scheme in which "increased" responses were coded as "1," "stayed about the same" responses were coded as "0," and "decreased" cases were omitted. These analyses produced a pattern of results parallel to those reported in Table II, suggesting that the primary effect of a devolution strategy is in contrast to a "status quo" strategy in which line-manager involvement in people management remains unchanged.
2. We also examined the possibility that Devolution and HR Role Change might interact to influence HR Construed Image. Following recommendations by Aiken and West (1991), we constructed an interaction term by centering the HR Role Change values and multiplying them by Devolution. We included the interaction term in a regression equation predicting HR Construed Image after first entering the control variables and main effects. The interaction term was not significant ($\beta = .10$, $p = n.s.$).

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